# 2. Organisational Structure

*Organization in a formal sense refers to a collectivity of persons engaged in pursing specified objective.* Organization as comprising human relationship in group activity. It is referred to as the social system encompassing all formal relations. Organization management refers to the art of getting people together on a common platform to make them work towards a common predefined goal.

The typically hierarchical arrangement of lines of authority, communications, right and duties of an organization, organizational structure determine how the roles, power and responsibilities are assigned, controlled and coordinated and how information flows between the different levels of management. A structure depends on the organization's objectives and strategy.

> *According to Kast and Rosenzwing* "Organization structure is the pattern of relationship among the component parts of the organization"
>
> *According to Theo Haimann, an authority in management* "Organizing in the process of defining and grouping the activities of the enterprise and establishing the authority relationships among them"
>
> *According to keith Davis,* "Organization may be defined as a group of individuals, large of small, that is cooperating under the direction of executive leadership in accomplishment of certain common object."

In performing the organizing function the manager defines, departmentalizes and assigns activities so that it can be most effectively executed. Organization is concerned with the building, developing and maintaining of a structure of working relationship in order to accomplish the objectives of the enterprise. Organization means the determination and assignment of duties to people, and also the establishment.
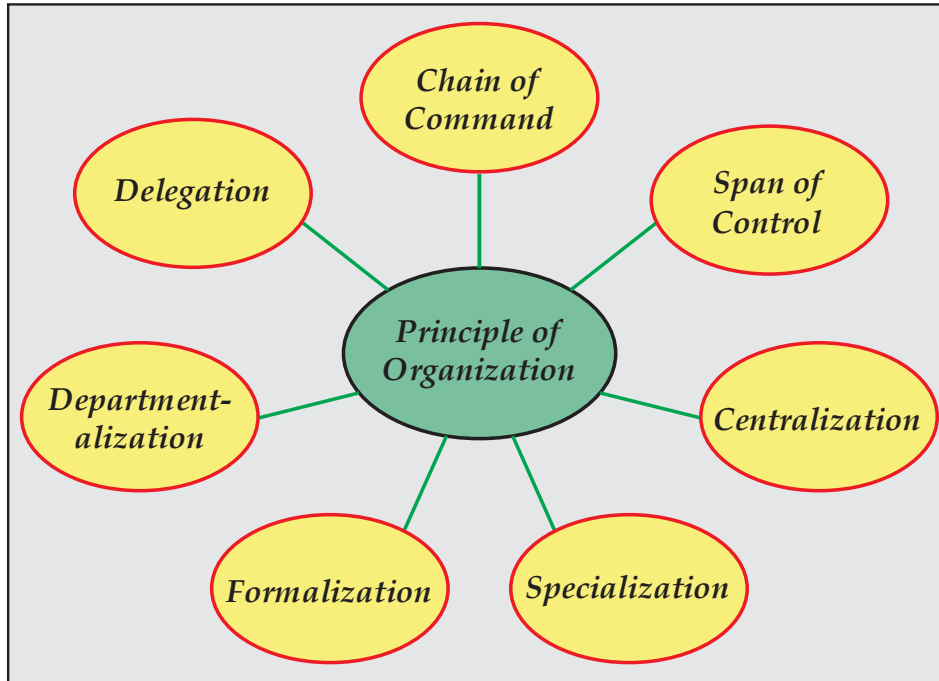
**Characteristics**

- *Organization is a group of Individuals*
- *In organization people meet and work for joint objectives.*
- *There is a chain command through out of the organization.*
- *Organization is a network of vertical, horizontal and diagonal relationship.*
- *In organization division of work is based into specialized jobs.*

## Principle of Organization



**1. Chain of Command :** One of the most basic elements of an organizational structure, chain of command is exactly what it sounds like: an unbroken line of authority that extends from the top of the organization (e.g. a CEO) all the way down to the bottom. *Chain of command clarifies who reports to whom within the organization.*

**2. Span of Control :** *Span of control refers to the number of subordinates who report directly to an executive or supervisor.* Narrow span of control builds a tall organization that has many reporting levels. Wide span of control builds a flat organization with fewer reporting levels.

**3. Centralization :** Who makes the decisions in an organization? *If decision-making power is concentrated at a single point, the organizational structure is centralized.* If decision-making power is spread out, the structure is decentralized.

**4. Specialization :** *Also known as division of labor, specialization is the degree to which activities or tasks in an organization are broken down and divided into individual jobs.* High specialization can be beneficial for an organization, as it allows employees to become "masters" in specific areas, increasing their productivity as a result. However, low specialization allows for more flexibility, as employees can more easily tackle a broader array of tasks (as opposed to being specialized for a single task).

**5. Formalization :** *Similar to specialization, formalization deals with how jobs are structured within an organization.* The key differentiator here is that formalization also takes into account the degree to which an employee's tasks and activities are governed by rules, procedures, and other mechanisms.

A formal organizational structure seeks to separate the individual from the role or position, as the role or position stays the same regardless of who's holding it.

An informal organization, on the other hand, places more value on the individual. It allows for the evolution of a role or position based on an individual's preferences, skill set, etc., and places less importance on what team or department that individual is part of.

**6. Departmentalization :** *Departmentalization refers to the process of grouping jobs together in order to coordinate common activities and tasks.* If an organization has rigid departmentalization, each department or team is highly autonomous, and there is little (or no) interaction between different teams. In contrast, loose departmentalization entails that teams have more freedom to interact and collaborate.

**7. Delegation :** *Delegation is the assignment of new or additional responsibilities to a subordinate at a lower level.* Delegation is perhaps the most fundamental feature of management, because it entails getting work done through others. When delegating work, the following things must also be given to the subordinates:

- **Responsibility** means that a person who is assigned a task that he or she is supposed to carry out must perform that task.

- **Authority** means that the person has the power and the right to make decisions, give orders, draw upon resources, and do whatever else is necessary to satisfy the responsibility.

- **Accountability** means that the subordinate's manager has the right to expect the subordinate to perform the job, and the right to take corrective action in the event the subordinate fails to do so.

**Process of Organization**

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┌─────────────────────────────────────────┐
│        Process of Organization           │
│                   ↓                       │
│    1. Establishing Objectives             │
│    2. Identification of Tasks             │
│    3. Grouping Jobs                       │
│    4. Collecting Human and Material Resources │
│    5. Assigning Work                      │
│    6. Designing a Hierarchy of Relationship │
│    7. Delegation of Authority             │
│    8. Coordination                        │
│    9. Monitoring the Effectiveness        │
└─────────────────────────────────────────┘
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**1. Establishing Objectives :** *This is first step which is actually part of planning.* Objective determine the various activities which need to be performed and the type of structure which needs to be built to achieve goal.

**2. Identification of Tasks :** *All the relevant activities and tasks are identified.* Number of activities depends upon the objectives of the organization. It should be done effectively such that no important activity is omitted or repeated.

**3. Grouping Jobs :** Once all the activities are identified the next step is grouping of the related jobs. *This leads to set up of the departments and divisions in the organization like production department, finance department, marketing department, and personnel department.*

**4. Collecting Human and Material Resources :** *Assessing Personnel requirement and determining the physical resources is very necessary to build the structure of an organization.* Necessary input such as Men, Machine, Materials, equipment must be collected and arranged for.

**5. Assigning Work :** When activities are divided among departments the next step would be to appoint suitable persons for the various tasks. Experts in their fields are appointed as heads of their departments and for lower positions peoples are appointed.

**6. Designing a Hierarchy of Relationship :** This step involves the creation of superior – subordinate relationship. In a hierarchy the ranking of managerial positions is done by grant of different degrees of rights and power to different position.

**7. Delegation of Authority :** *When some work is assigned to someone then he must be given some authority to do that work effectively.* Assigning work and delegation goes parallel to each other. Assigning work without proper authority is meaningless.

**8. Coordination :** As all activities in organization are distinct, but they are interdependent so there must be coordination among the departments. *In absence of coordination ultimate goal of the organization will not be achieved.* Success of the organization is fully dependent on better coordination between the different divisions and managers.

**9. Monitoring the Effectiveness :** *A monitoring system to assess the effectiveness of the organization and to make adjustment must be established.*

**Types of Organizational Structure**

There are two types of the organizational structure :
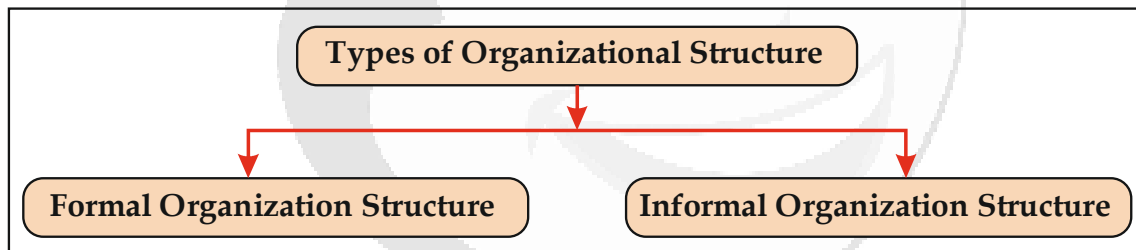


**(A) Formal Organization**

*The formal organizational structure of jobs and positions with define functions and relationship. This type of organization is built by the management to realize the objective of an enterprise.* The fundamental organization structure may be classified as follow :

● Line organization
● Functional Organization
● Line and staff organization
● Project management Organization
● Matrix organization

**1. Line Organization :** *It is oldest and simplest pattern of organization. Line organization assumes that direct authority is exercised by a superior over his subordinates. The flow of this authority is always downwards. This organization is based on scalar basis. Line organization is also known as vertical organization or departmental organization.*

It is the "doing" organization, in that the work of all organizational units is directly involved in producing and marketing the organization's goods and services. There are direct vertical links between the different levels of the scalar chain. Since there is a clear authority structure, this form of organization promotes greater decision making and is simple in form to understand.

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                    ┌─────────────────┐
                    │  Sales Manager  │
                    └────────┬────────┘
          ┌──────────────────┼──────────────────┐
          ▼                  ▼                  ▼
  ┌───────────────┐  ┌───────────────┐  ┌───────────────┐
  │ Salesperson A │  │ Salesperson B │  │ Salesperson C │
  └───────────────┘  └───────────────┘  └───────────────┘
```

**Advantage of Line Organization**

- It is simple work.
- It is economical and effective.
- It permits rapid decision and effective co-ordination.
- It promotes unity of command and conforms to the scalar principle of organization.
- It is less expensive due to non- involvement of staff personnel.
- It is stable.

**Disadvantage**

- Line organization is rigid and inflexible.
- It is based upon autocratic system of management.
- It is likely to encourage nepotism (Favoritism shown on the basis of family relationship, as in business and politics)
- Such enterprises suffer from lack of expert staff advice.
- It is cramps progress and prevent effective working of the units.

## 2. Line and Staff Organization

*The line and staff systems is balance between line and functional. Under this organization line is supplemented by staff. When staff specialists are added to a line organization to "advise; "serve;" or "support" the line in some manner, we have a line and staff organization.*

These specialists contribute to the effectiveness and efficiency of the organization. Their authority is generally limited to making recommendation to the line organization. Sometimes this creates conflict. However, such conflict can be reduced by having staff specialists obtain some line experience, which will tend to make them better understand the problems facing the line managers they support. Such functions as human resources management and research and development are typical staff functions.

**Line and Staff Organization**
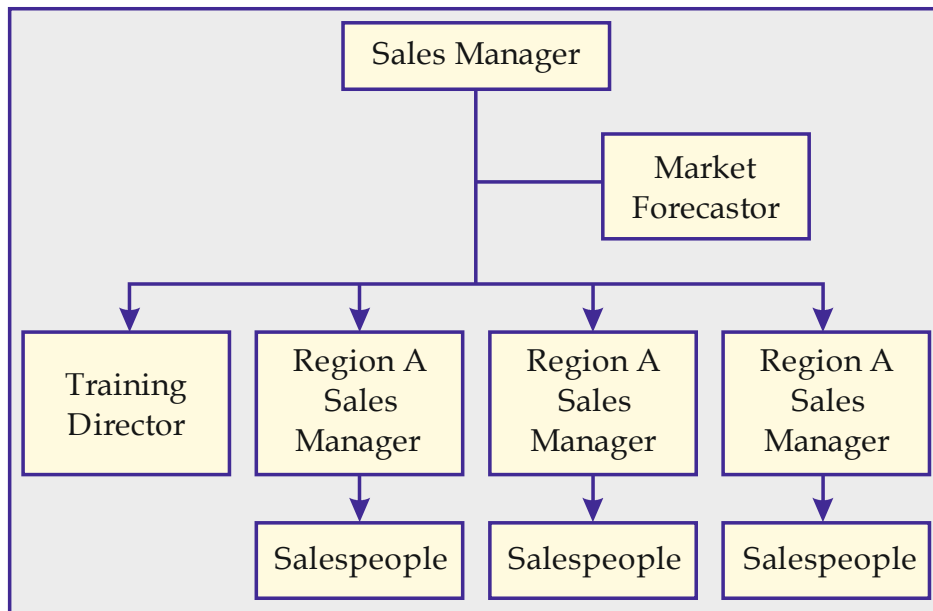


## Advantage

- The stability and discipline of the line organization are preserved, only the specialist is added.
- It brings expert knowledge to bear upon management.
- It provides for better placement and utilization of personnel and leads to more concerted skill development.

## Disadvantage

- Line managers may depend too much on staff experts and thus lose much of their judgement and initiative.
- The staff experts remain ineffective because they do not get the authority to implement their recommendation.
- It is not simple

## 3. Functional Organization

*Under this system the whole task of management and direction and subordinates is divided according to the type of work involved.* It is related and similar work is done in one department under executive. The concept of Functional organization was suggested by **F.W. Taylor** who recommended the appointment of specialists at important positions. For example, the functional head and Marketing Director directs the subordinates throughout the organization in his particular area. This means that subordinates receive orders from several specialists, managers working above them.

- The entire organizational activities are divided into specific functions such as operations, finance, marketing and personal relations.
- Complex form of administrative organization compared to the other two.
- Three authorities exist- Line, staff and function.
- Each functional area is put under the charge of functional specialists and he has got the authority to give all decisions regarding the function whenever the function is performed throughout the enterprise.
- Principle of unity of command does not apply to such organization as it is present in line organization.

**Advantage**

- Better division of labour takes place which results in specialization of function and it's consequent benefit.
- Management control is simplified as the mental functions are separated from manual functions. Checks and balances keep the authority within certain limits. Specialists may be asked to judge the performance of various sections.
- Greater efficiency is achieved because of every function performing a limited number of functions.
- Specialization compiled with standardization facilitates maximum production and economical costs.
- Expert knowledge of functional manager facilitates better control and supervision.

**Disadvantage**

- It is high degree of specialization, functional organization is difficult to establish
- The functional system is quite complicated to put into operation, especially when it is carried out at low levels. Therefore, co-ordination becomes difficult.
- Disciplinary control becomes weak as a worker is commanded not by one person, but a large number of people. Thus, there is no unity of command.
- There may be conflicts among the supervisory staff of equal ranks. They may not agree on certain issues.

**Functional Organization Structure**
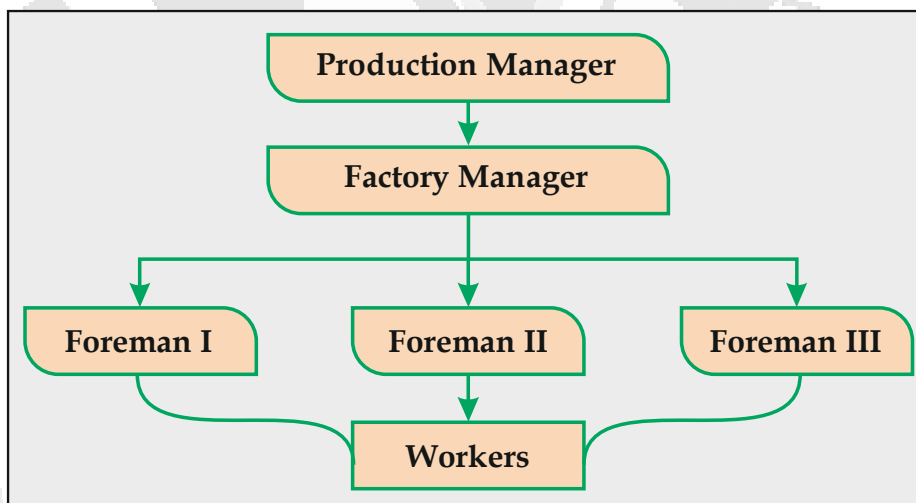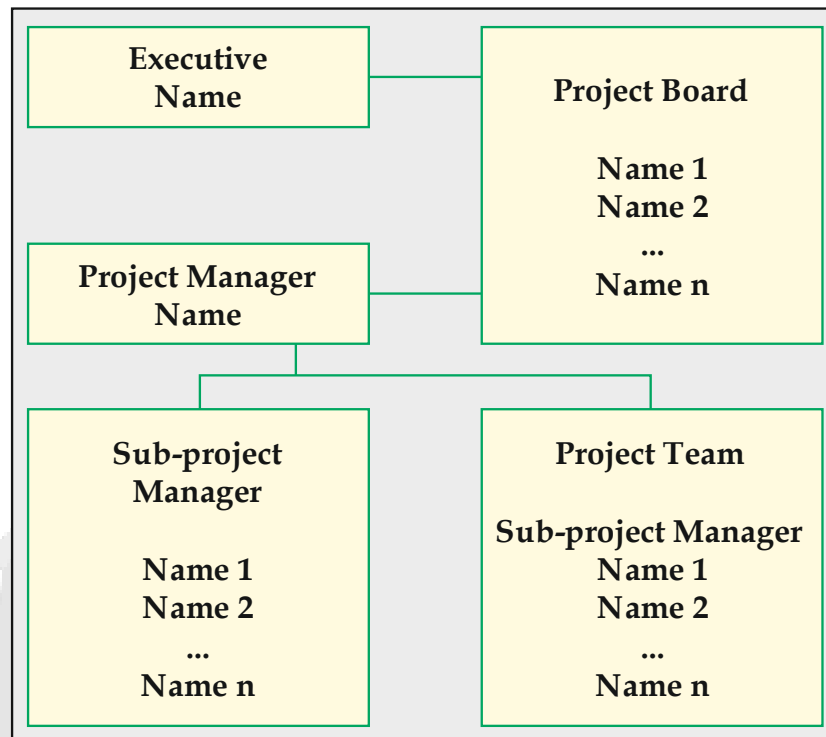


**4. Project Management Organization**

Project organization is not a separate type of organization like the line and staff or functional organization. *Project organization may involve development and introduction of new product, complete redesigning of an existing product line, installing a new plant etc.*

A project organization is a structure that facilitates the coordination and implementation of project activities. Its main reason is to create an environment that fosters interactions among the team members with a minimum amount of disruptions, overlaps and conflict. One of the important decisions of project management is the form of organizational structure that will be used for the project.

One of the main objectives of the structure is to reduce uncertainty and confusion that typically occurs at the project initiation phase. The structure defines the relationships among members of the project management and the relationships with the external environment. The structure defines the authority by means of a graphical illustration called an organization chart.

### Organizational Structure of The Project



## 5. Matrix Organization

*Matrix organization combines functional department with project organization or product. In a matrix organization, the team members report into two bosses: the functional manager and the project manager.*

The organization needs both technological expertise within functions and horizontal coordination across functions. For instance, a defense contractor may need deep functional skills as well as the ability to coordinate across these functions for each contract or project. A multinational firm may need to coordinate across the demands of functions, products, and geographic locations.

In a matrix structure, individuals work across teams and projects as well as within their own department or function.

For example, a project or task team established to develop a new product might include engineers and design specialists as well as those with marketing, financial, personnel and production skills.

These teams can be temporary or permanent depending on the tasks they are asked to complete. Each team member can find himself/herself with two managers - their normal functional manager as well as the team leader of the project.

### Advantage

- Highly skilled and capable resources can be shared between the functional units and projects, allowing more open communication lines which help in sharing the valuable knowledge within the organization.

- The matrix structure is more dynamic than the functional structure because it allows employees to communicate more readily across the boundaries, creating a good, cooperative, work environment which helps to integrate the organization.

- Employees can broaden their skills and knowledge areas by participating in different kinds of projects. The matrix structure provides a good environment for professionals to learn and grow their careers.

- In functional departments, employees are very skilled, and project teams can get these highly-skilled employees whenever their services are needed.

- Since there is a sense of job security, employees tend to be loyal to the organization and perform well, and therefore, the efficiency of a matrix organization is higher.
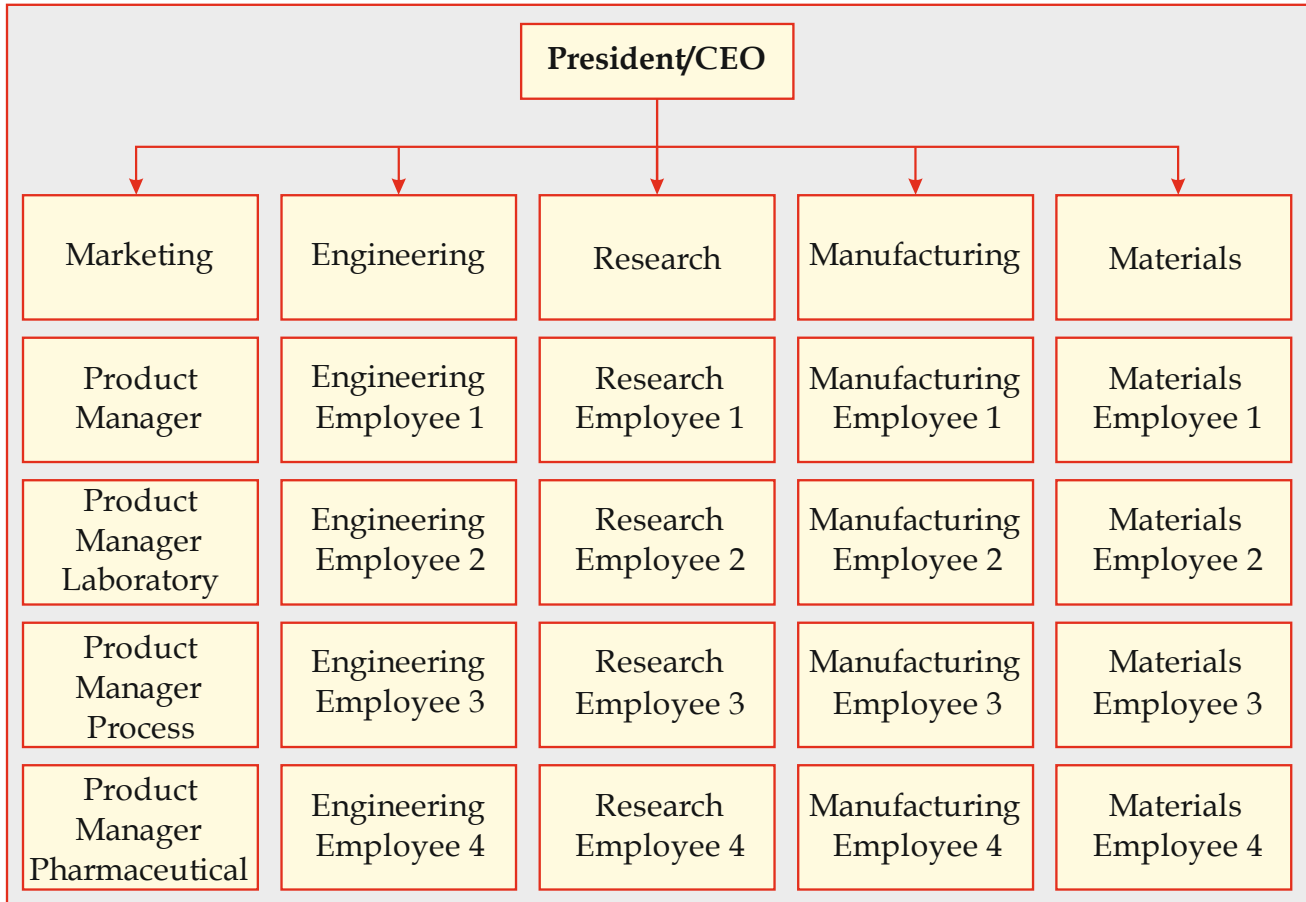
**Disadvantage**

- Employees may have to report to two managers, which adds confusion and may cause conflict. This usually happens in a balanced matrix organization where both bosses have equal authority and power.

- A conflict may arise between the project manager and the functional manager regarding the authority and power.

- If the priorities are not defined clearly, employees may be confused about their role and responsibility, especially when they are assigned a task which is different from, or even counter to, what they were doing.

- If any resource is scarce, there might be competition to use it, which may cause hostility within the workplace and could affect the operation.

- It is generally perceived that matrix organizations have more managers than required, which increases overhead costs.

- In a matrix organization, the workload tends to be high. Employees have to do their regular work along with the additional project-related work, which can exhaust them. It is also possible that the employee may ignore either his functional responsibilities or project management responsibilities if overtaxed.

- A matrix structure is expensive to maintain. Organizations have to pay extra to keep resources because not all resources will be occupied at all times. Some resources are needed only for a short duration.

## Matrix Structure

| President/CEO | | | | |
|---|---|---|---|---|
| Marketing | Engineering | Research | Manufacturing | Materials |
| Product Manager | Engineering Employee 1 | Research Employee 1 | Manufacturing Employee 1 | Materials Employee 1 |
| Product Manager Laboratory | Engineering Employee 2 | Research Employee 2 | Manufacturing Employee 2 | Materials Employee 2 |
| Product Manager Process | Engineering Employee 3 | Research Employee 3 | Manufacturing Employee 3 | Materials Employee 3 |
| Product Manager Pharmaceutical | Engineering Employee 4 | Research Employee 4 | Manufacturing Employee 4 | Materials Employee 4 |

## (B) Informal Organizational Structure

*It refers to a network of personal and social relationships which spontaneously originates within the formal set up.* Informal organizations develop relationships which are built on likes, dislikes, feelings and emotions. Therefore, the network of social groups based on friendships can be called as informal organizations. There is no conscious effort made to have informal organization. *It emerges from the formal organization and it is not based on any rules and regulations as in case of formal organization.*

> " *"Informal organization as the network of personal and social relationship which is not established or required by formal organization" Thus informal organization comprises the whole set of customs social norms and ideas by which people are influenced.* **- Keith Davis**

**Informal organizational structure** *includes personal relations, relations and interactions of people in the organization that are created naturally, informally and unofficially.* They take place in an informal way outside the framework of formal organizational structure, respectively; the informal organizational structure crosses it horizontally, vertically and diagonally.

## Types of Informal Organization Structure

**Horizontal Groups :** *Persons whose positions are on the same level of the organization belong to horizontal groups.* Such informal groups may consist of all the member (managers and non-managers) in the same department or different members across departmental lines (by virtue of the case of accessibility).

**Vertical Groups :** *Vertical groups are often the result of outside interest or various employment relationships within the same department. Such groups include people on different levels of the formal organization's hierarchy.* Usually these people voluntarily come together within the same work areas. For example, in a production department a vertical group might include a supervisor and one (or more) of his subordinates.

**Mixed Groups :** *A mixed group may be formed by two or more people who belong to different levels of the formal organization and in different work areas.* For instance, the vice-president (finance) may develop a close relationship with the director of computer services for getting preferential treatment (i.e., greater and timely access to computer facilities).

## Features of Informal Organization

- It develops spontaneously and is not established by formal manager.
- It is all pervasive and exists in every enterprise.
- Informal authority is earned and not delegated.
- Informal organization largely flows upward or horizontally.
- Informal organizational structure does not follow any fixed path of flow of authority or communication.
- Informal organizational structure gets created automatically without any intended efforts of managers.
- Informal organizational structure is formed by the employees to get psychological satisfaction.

## Advantage of Informal Organization Structure

- To encourage cooperation
- Make more effective the total system
- Give satisfaction and stability to work group
- Helps get work done
- Provides a useful channel of communication
- Provides emotions among staff
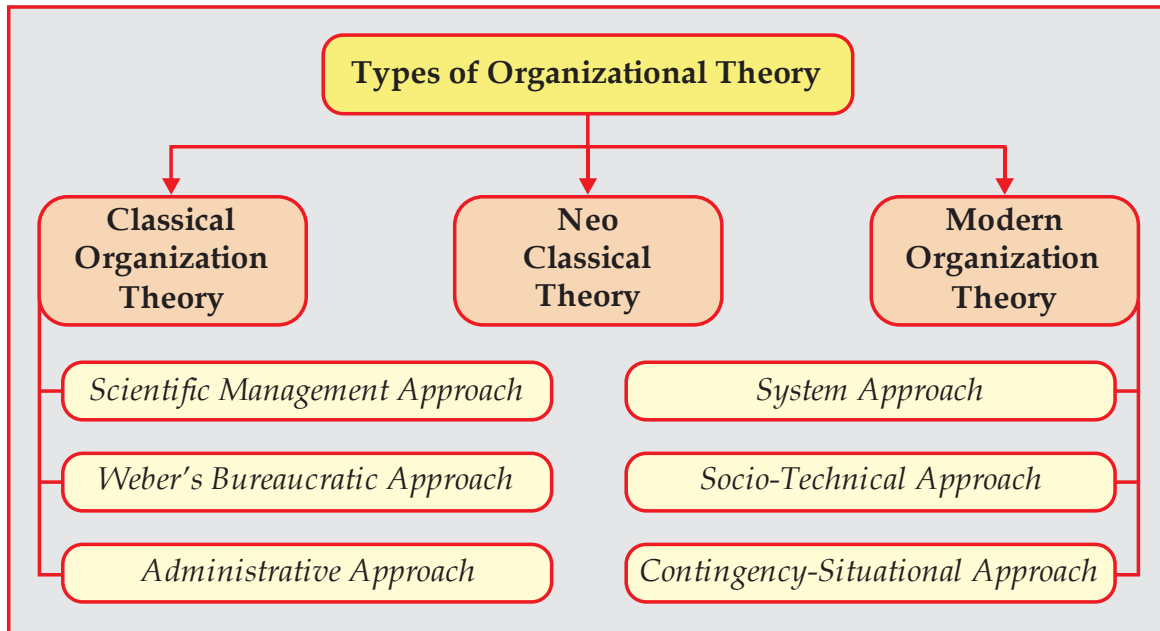- Create good environment in working place

## Disadvantage of Informal Organization Structure

- According to a survey 70% of information spread through informal organizational structure are rumors which may mislead the employees.
- If informal organization opposes the policies and changes of management, then it becomes very difficult to implement them in organization.
- Social control of Informal groups exerts strong pressure for community.
- It is based on the mutual relationships rather than on division of work as anybody can talk to any person in any department with regard to any topic. Hence, specialization is not possible.

## Organizational Theories

*Organizational theory is a study of structure, functioning and performance of organization and of the behavior of groups and individuals working in them. These theories may influence how an organization allocates resources.* Organizational theory describes how an organization interacts with its environment. Early theories were overly bureaucratic and have given way to organizational theories that apply to a multitude of dynamic situations.

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                    │   Types of Organizational Theory    │
                    └─────────────────────────────────────┘
        ┌────────────────────┐  ┌──────────────┐  ┌────────────────────┐
        │     Classical      │  │     Neo      │  │      Modern        │
        │   Organization     │  │  Classical   │  │   Organization     │
        │      Theory        │  │   Theory     │  │      Theory        │
        └────────────────────┘  └──────────────┘  └────────────────────┘

   │  Scientific Management Approach  │      │      System Approach      │

   │  Weber's Bureaucratic Approach   │      │  Socio-Technical Approach │

   │      Administrative Approach     │      │ Contingency-Situational Approach │
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## 1. Classical Organization Theory

**(a) Weber's Bureaucratic Approach :** *Max Weber's (1978) essay on bureaucracy represents the beginning of the modern theory organizations.* By bureaucracy, Weber meant organizations with the following principles :

> 1. *A clear definition of distinct and separate areas of competence, laid down in laws and regulations*
> 2. *A clearly defined hierarchy of office: Every position or office is accountable to and supervised by an higher office*
> 3. *All decisions are made on the basis of written documents and according to written rules*
> 4. *The relations within the organization and all decisions are purposely impersonal and devoid of personal interests*
> 5. *The officials have received extensive education in their areas of competence*
> 6. *They are employed on the basis of their expertise, their appointment is full-time and excludes other occupations*
> 7. *They have set salaries paid in money*

Weber's central argument was that bureaucracy is best suited for stable, routine task environments. For example, if the task can be divided into a process of separate and relatively distinct steps, If the volume and the nature of the task are stable and predictable, and if the performance of office holders can be easily monitored and translated into reporting requirements, then bureaucracy is a suitable organizational form.

**(b) Scientific Management Approach :** *The scientific management approach is based on the concept of planning of work to achieve efficiency, standardization, specialization and simplification.* The approach to increased productivity is through mutual trust between management and workers. Taylor (1947) proposed four principles of scientific management :

> 1. *Develop a science for each element of an individual's work to replace the old rule of thumb method.*
> 2. *Scientifically select and then train, teach, and develop the worker.*
> 3. *Heartily cooperate with the workers so as to ensure that all work is done in accordance with the principles of the science that has been developed.*
> 4. *Divide work and responsibility almost equality between management and workers. Management does all work for which it better suited than the workers.*

*Frank Gilbreth (1868-1924) and Lilian Gilbreth (1878-1972) were also significant contributors to the scientific method.* As a point of interest, the Gilbreths focused on handicapped as well as normal workers. Like other contributors to the scientific method, they subscribed to the idea of finding and using the best way to perform a job. The primary investigative tools in the Gilbreths research were motion study, which consist of reducing each job to the most basic movements possible. Motion analysis is used today primarily to establish job performance standards.

Henry L. Gantt (1861-1919) too, was interested in increasing worker efficiency. Gantt attributed unsatisfactory or ineffective tasks and piece rates (incentive pay for each product piece an individual produces) primarily to the fact that these tasks rate were set according to what had been done by workers in the past or on somebody's opinion of what workers could do.

**(c) Administrative Approach :** Administrative management focuses on organizational efficiency. This approach is also called **"comprehensive analysis of management"**. Among the well-known contributors to the comprehensive view are Henri Fayol, Chester Barnard, Alvin *Brown, Henry Dennision, Luther Gulick and Lyndall Urwick, J Mooney and A C Reily, and Oliver Sheldon (Heames, et al, 2010).*

The most notable contributor, however, was **Henri Fayol (1841-1925)**. His book **General and Industrial management presents a management philosophy** that still guides many modern managers. Because of his writings on elements and general principles of management, Henri Fayol is usually regarded as the pioneer of administrative theory (Certo S C and Certo S T, 2006).

The elements of management have outlined - planning, organizing, commanding, coordinating and controlling are still considered worthwhile divisions under which to study, analyze and affect the management process. The general principles of management suggested by Fayol are still considered useful in contemporary management practices. Here are the principles in order developed by Fayol division of work, authority, discipline, unity of command, unity of direction, subordination of individual interest to general interests, remuneration, centralization, scalar chain, order, equity, stability of tenure of personnel, initiative, and esprit de corps.

## 2. Neo Classical Approach

*The Neoclassical approach began with the Hawthorne studies in the 1920s. It grew out of the limitations of the classical theory.* Under classical approach, attention was focused on jobs and machines. After some time workers resisted this approach as it did not provide the social and psychological satisfaction. Therefore, attention shifted towards the human side of management.

**George Elton Mayo (1890- 1949)** is considered to be the founder to the neoclassical theory. He was the leader of the team which conducted the famous Hawthorne Experiments at the Western Electric Company (USA) during 1927-1932.

There are mainly three elements of neoclassical theory of management. They are Hawthorne Experiment, Human Relation Movement, and Organizational Behavior.

**(a) Hawthorne Experiments :** *The Hawthorne studies were a series of experiments conducted at the Western Electric Company (USA) between 1927 and 1932 that provided new insights into individual and group behavior (Griffin R W, 2006).* The research, originally sponsored by General Electric, was conducted by **Elton Mayo** and his associates. The studies focused on behavior in the workplace. In one experiment involving this group of workers, for example, researchers monitored how productivity changed as a result of changes in working conditions. *The Hawthorne studies and subsequent experiments lead scientists to the conclusion that the human element is very important in the workplace.* The Hawthorne experiments may classified into four stages: Illumination experiments, Relay assembly test room experiments, Mass interviewing programme and Bank wiring observation room study.

**(b) Human Relation Movement :** Taking a clue from the Hawthorne Experiments several theorists conducted research in the field of interpersonal and social relations among the members of the organization. These relations are known as human relations. *A series of studies by Abraham H. Maslow, Douglas Mc Gregor, Frederick Herzberg, Keth Davis, Rensis Likert and others lead to what is human relation movement (Singh, 1983).* Human relation movement argued that workers respond primarily to the social context of the workplace, including social conditioning, group norms and interpersonal dynamics.

**(c) Organizational Behavior :** Several psychologists and sociologists began the study of group dynamics, Chris Argyris, Homans Kurt Lewin, R.L. Katz, kahn and others developed the field of organizational behavior. It involves the study of attitudes, behavior and performance of individuals and groups in organizational settings. This approach came to be known as behavioral approach. *It is extended and improved version of human relations movement.* It is multidimensional and interdisciplinary the application of knowledge drawn from behavioral sciences (Psychology, sociology, anthropology, etc) to the management problems (Cole G A, 1984). Therefore, it is also called behavioral science approach.

## Span of Control

*Literally, the word '**span**' means distance between the tip of a person's thumb and the little finger when stretched out, while the world '**control**' means power or authority to direct, order or restrain.*

*In Public Administration, span of control refers to the number of subordinates whom an officer can effectively control. It also means the number of subordinates an officer can direct.* It may be also said, that the span of control means, simply, he number of subordinates or the units of work that an administrator can personally direct.

The span of control refers to number of employees that directly report to a single manager. Span of control determines the structure of an organization, a narrow span of control results in hierarchal organization while broad span of control leads to flat structure.
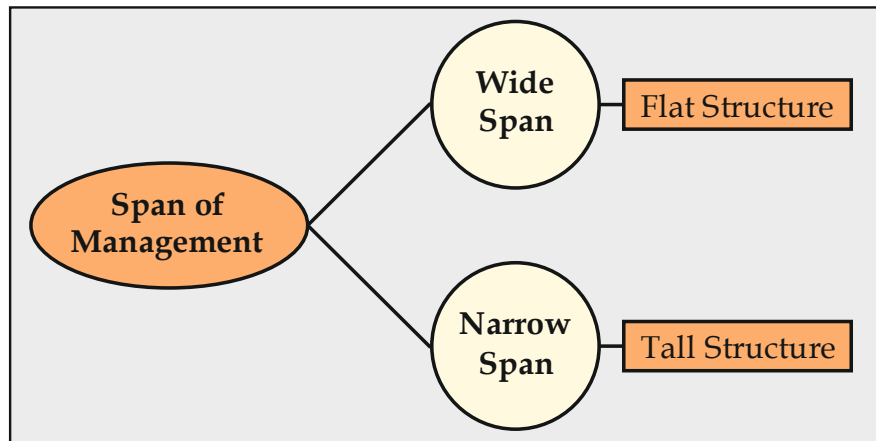
Span of Control means the number of subordinates that can be managed efficiently and effectively by a superior in an organization. It suggests how the relations are designed between a superior and a subordinate in an organization.

Span of control is of two types :

●     Wider Span (Short or Flat Structure)

●     Narrow Span (Tall)

*When a large of person report to each manager the span is wide and it creates a short or Flat structure but when span of management is narrow where few person report to each manager the result is tall (Narrow span) structure.*



## Wide Span

*Wide span of control means a single manager or supervisor oversees a large number of subordinates. Wide span or flat structure, on the other hand, calls for supervision of too many people by a single manager.* Supervision becomes less effective because the manager does not have the sufficient time and energy to attend to each of his subordinates. The large number of contacts may also distract him to the extent of neglecting important questions of policy.

However, the wide span has certain advantages too. The communication chain is shorter, and it is free from hierarchical control. Subordinates feel more autonomy and develop independent spirit. The flat structure also reduces cost, as it requires less number of executives.

## Wide Span of Supervision

●     Number of executives is less

●     Less expensive

●     Better communications

●     Better coordination

●     Quality of performance deteriorate

●     Less effective supervision

●     Less time to devote in directing each and every subordinate

## Narrow Span

*The span is narrow, which means less number of subordinates under one superior, requires more managers to be employed in the organization.* Thus, it would be very expensive in terms of the salaries to be paid to each senior.

Narrow spans lead to many levels in the organization and thus required a larger number of managers. This, in turn, leads to larger expenses in the form of executive remuneration. Expenses are further increased on account of additional clerical and office staff needed as a result of there being large number of managers.

## Narrow Span of Supervision

- Better personal contacts
- Tight control
- Close supervision
- Sufficient time for developing relations with the subordinates



**Tall Organisation Structure**



**Flat Organisation Structure**
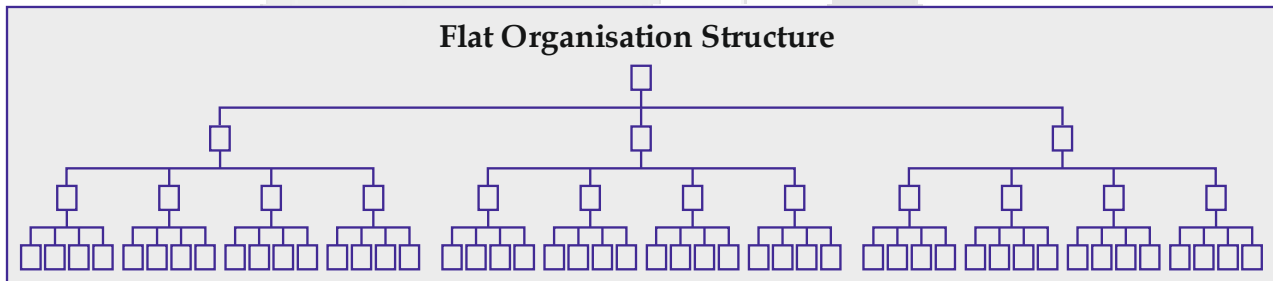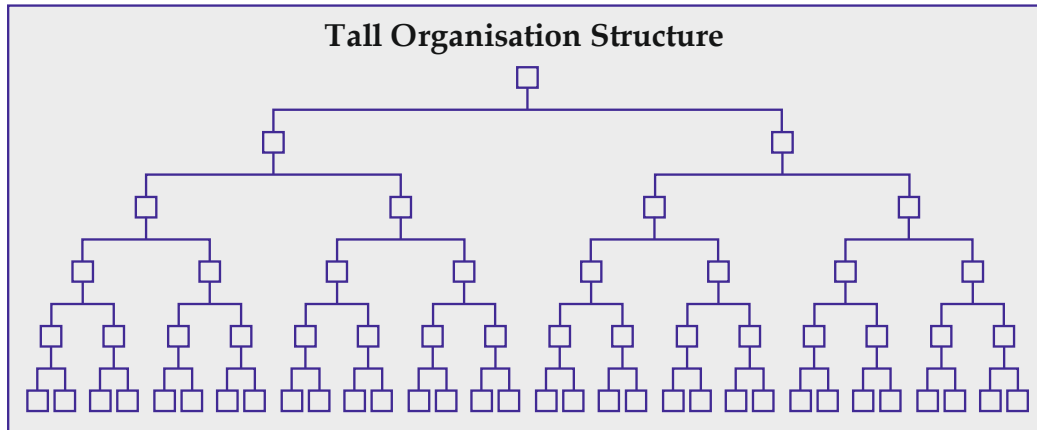
## Span of Control Management

In 1933 V. A. Graicunas a pairs based consultant formulated the span of control based on number of direct and indirect relationship that a superior has to manage. Graicunas identified has three relationship.

- **Direct Single relationship**
  - ➢ *Number of direct relationship between manager and subordinate It represent the span of control.*
- **Direct Group Relationship**
  - ➢ *Number of Peer- to peer relationships it represent issues due to interpersonal conflicts. This is the relationship of superior with subordinates in the presence of other subordinates. All possible combinations of superior and subordinate relationship-exist in group relationships. It represents contact of the superior with one or more subordinates while others (one or more) assist the relationships.*
- **Cross Relationships**
  - ➢ *While the subordinates work under the same superior, they also interact amongst themselves. These are the relationships amongst subordinates. Based on the formula $n(n-1)$, with 3 subordinates, 6 such relationships will be formed.*

| Kind of Relationship | Formula | No. of Subordinates | No. of Relationship |
|---|---|---|---|
| 1. Direct Relationship (One-to-One Relationship) | $n$ | 2<br>3 | 2<br>3 |
| 2. Cross Relationship | $n(n-1)$ | 2<br>3 | 2<br>6 |
| 3. Group Relationship | $n\left(\dfrac{2^n}{2}-1\right)$ | 2<br>3 | 2<br>9 |
| Total Number of Relationship | $n\left(\dfrac{2^n}{2}+n-1\right)$ | 2<br>3 | 6<br>18 |

**Graicunas Formula**

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**Graicunas Formula**

$$r = n\left(\frac{2^n}{2}+(n-1)\right)$$

Here, r = number of relationship
n = number of subordinates

**Factors Determining Span of Control**

- Character of the enterprise's environment in the sense of existence of marked dependence, especially in the environs where there is influence of the community, society, on the enterprise's activities

- Size and complexity of the enterprise's business, the bigger they are, the wider the span of management will be, as a consequence of a need for breaking up into a larger number of organizational units

- Development of planning in business makes a bigger span of management possible;

- Competence of subordinates, the higher it is, the wider the span of management it will lead to

- Quality of informing and communicating with subordinates creates conditions for increase of the span of management

- Amount of monitoring of the subordinates' work: increase of control diminishes the span of management.

- Trained and experienced subordinates need less direction and hence large number of them can work under one executive.

- All doing specialized and same work at one table or very close to each other require a wide span E.g..: routine clerical jobs

- For maintenances and R&D department and other departments which require many policy decision and coordination with the work of others narrow span of control is ideal

**(C) Modern Organization Theory**

    (a)     System Approach

    (b)     Socio-Technical Approach

    (c)     Contingency-Situational Approach

**(a) System Approach :** *It is developed by Karl Ludwig von Bertalanffy, Austrian biologist (1901-1972), W. Ross Ashby, English psychiatrist (1903-1972), Kenneth Boulding, English/American economist (1910-1993), Anatol Rapaport, Russian/American mathematical psychologist (1911-2007)*

With the emergence in the 1960s of the open systems perspective, human relations concerns related to employee satisfaction and development broadened to include a focus on organizational growth and survival. According to the open systems perspective, every organization is a system unified structure of interrelated subsystems and it is open subject to the influence of the surrounding environment. Together, these two ideas form the central tenet of the open systems approach, which states that organizations whose subsystems can cope with the surrounding environment can continue to do business, whereas organizations whose subsystems cannot cope will not survive.

**Characteristics**

It is composed of parts which must be related (directly or indirectly), else there are really two or more distinct systems :

- It is encapsulated (has a boundary)
- It can be nested inside another system and overlap with other systems
- It is bounded in time and space - exchanges information and/or material with its environment
- It consists of processes that transform inputs into outputs
- It is dynamic, it evolves - it is self-regulating, i.e. it is self-correcting through feedback
- It is often composed of entities seeking equilibrium but can exhibit oscillating, chaotic or exponential behavior
- It can exhibit both multi-finality and equi-finality.

**(b) Socio-Technical Approach :** *It is not just job enlargement and enrichment which is important, but also transforming technology into a meaningful tool in the hands of the users.* The socio-technical systems approach is based on the premise that every organization consists of the people, the technical system and the environment (Pasmore, 1988). People (the social system) use tools, techniques and knowledge (the technical system) to produce goods or services valued by consumers or users (who are part of the organization's external environment). Therefore, *an equilibrium among the social system, the technical system and the environment is necessary to make the organization more effective.*

**(c) Contingency Theory :** *According to contingency theory managerial action depends on the particular parameters of the situation. Rather than applying a universal technique to each situation. It suggests that different situation will require different approaches.* In a management context contingency has become synonymous with situational management.

The situational approach (Selznick, 1949; Burns and Stalker, 1961; Woodward, 1965; Lawrence and Lorsch, 1967) is based on the belief that there cannot be universal guidelines which are suitable for all situations. Organizational systems are inter-related with the environment. The contingency approach (Hellriegel and Slocum, 1973) suggests that different environments require different organizational relationships for optimum effectiveness, taking into consideration various social, legal, political, technical and economic factors.

Contingency theory is an approach to the study of organizational behavior in which explanations are given as to how contingent factors such as technology, culture and the external environment influence the design and function of organizations. The assumption underlying contingency theory is that no single type of organizational structure is equally applicable to all organizations. Rather, organizational effectiveness is dependent on a fit or match between the type of technology, environmental volatility, the size of the organization, the features of the organizational structure and its information system.

**Henry Mintzberg :** "The Structuring of Organizations" (1979) - Synthesized large parts of the organizational research up to ca. 1975 - Proposed five basic organizational configurations (forms), each based on one main coordinating mechanism and one key part of the organization:

- **The Simple Structure (Entrepreneurial Form)** - based on Direct Supervision, Strategic Apex key

- **The Machine Bureaucracy** - based on Standardization of work, Techno structure key

- **Professional Bureaucracy** - based on Standardization of skills, Operating core key

- **The Adhocracy (Innovative Organization)** - based on Mutual adjustment, Support staff (R and D) key

- **The Divisionalized Form (Diversified Organization)** - based on Standardization of output,

**Middle Line Key :** Has later suggested two new configurations :

- **The Missionary Organization** - based on Standardization of norms, Ideology key.

- **The Political Organization** - no prime coordinating mechanism, no key part.

## Organizational Culture

*Organizational culture includes an organization's expectations, experiences, philosophy, and values that hold it together, and is expressed in its self-image, inner workings, interactions with the outside world, and future expectations.* It is based on shared attitudes, beliefs, customs, and written and unwritten rules that have been developed over time and are considered valid. **Also called corporate culture**, it's shown in

1. the ways the organization conducts its business, treats its employees, customers, and the wider community,

2. the extent to which freedom is allowed in decision making, developing new ideas, and personal expression,

3. how power and information flow through its hierarchy, and

4. how committed employees are towards collective objectives.

It affects the organization's productivity and performance, and provides guidelines on customer care and service, product quality and safety, attendance and punctuality, and concern for the environment.

In business terms, other phrases are often used interchangeably, including "corporate culture," "workplace culture," and "business culture."

> "*Organizational culture can be defined as a pattern of basic assumptions-invented, discovered or developed by a given group as it learns to cope with its problems of external adaptation and internal integration-that has worked well enough to be considered valuable and, therefore, to be taught to new members as the correct way to perceive, think and feel in relation to those problems.*"
> *- Edgar Schein*

Organizational culture can be defined as the philosophies, ideologies, values, assumptions, beliefs, expectations, attitudes and norms that knit an organization together and are shared by its employees. According to definitions of organizational culture stress on the sharing of norms and values that guide the organizational members' behavior. These norms and values are clear guidelines as to how employees are to behave within the organization and their expected code of conduct outside the organization.

## Characteristics

- **Innovation and risk taking.** The degree to which employees are encouraged to be innovative and take risks.

- **Attention to detail.** The degree to which employees are expected to exhibit precision, analysis, and attention to detail.

- **Outcome orientation.** The degree to which management focuses on results or outcomes rather than on technique and process.

- **People orientation.** The degree to which management decisions take into consideration the effect of outcomes on people within the organization.

- **Team orientation.** The degree to which work activities are organized around teams rather than individuals.

- **Aggressiveness.** The degree to which people are aggressive and competitive rather than easygoing.

- **Stability.** The degree to which organizational activities emphasize maintaining the status quo in contrast to growth.

## Approaches of Organizational Culture
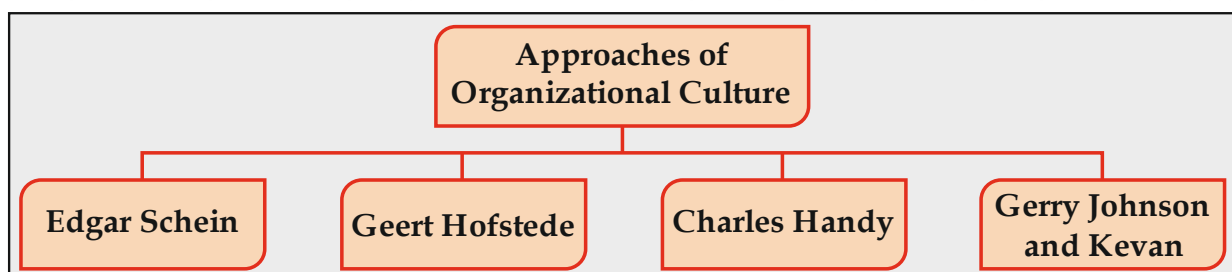
## 1. Edgar Schein

*Believed that culture is the most difficult organizational attribute to change and that it can outlast products, services, founders and leaders.* Schein's model looks at culture from the standpoint of the observer and describes organizational culture at three levels :

- **Artefacts :** organizational attributes that can be seen, felt and heard by the uninitiated observer, including the facilities, offices, décor, furnishings, dress, and how people visibly interact with others and with organizational outsiders
- **Espoused Values :** the professed culture of an organization's members. Company slogans, mission statements and other operational creeds are useful examples.
- **Basic Underlying Assumptions :** which are unseen and not consciously identified in everyday interactions between organizational members. Even people with the experience to understand this deepest level of organizational culture can become accustomed to its attributes, reinforcing the invisibility of its existence.

## 2. Geert Hofstede

*It is well-known for his work exploring the national and regional cultural influences which affect the behavior of organizations.* He also collaborated with Bob Waisfisz to develop an Organizational Culture Model, based on empirical research and featuring six dimensions. These are :

- **Means Oriented v/s Goal Oriented :** The extent to which goals (the 'what') or the means (the 'how) of conducting work tasks are prioritized. This may affect attitudes to taking risks or contributing discretionary effort
- **Internally Driven v/s Externally Driven :** Externally driven cultures will be more pragmatic, focusing primarily on meeting the customer's requirements, while internally driven cultures may exhibit stronger values
- **Easygoing v/s Strict :** Stricter cultures run on a high level of discipline and control, while easygoing cultures tend towards more improvisation
- **Local v/s Professional :** The extent to which people identify with their immediate colleagues and confirm to the norms of this environment, or associate themselves with a wider group of people and practices based on their role
- **Open System v/s Closed System :** The extent to which newcomers are accepted and the differences they bring are welcomed
- **Employee-Oriented v/s Work-Oriented :** The extent to which the employee's well-being is prioritized at the expense of the task, or vice versa.

## 3. Charles Handy

It links organizational structure to organizational culture. Handy describes :

- **Power Culture :** Power is concentrated among a few with control and communications emanating from the center. Power cultures have few rules and little bureaucracy; decision making can be swift.
- **Role Culture :** Authority is clearly delegated within a highly defined structure. Such organizations typically form hierarchical bureaucracies where power derives from a person's position and little opportunity exists for expert power.
- **Task Culture :** Teams are formed to solve particular problems with power deriving from expertise.

- **Person Culture :** Here, all individuals believe themselves superior to the organization. As the concept of an organization suggests that a group of like-minded individuals pursues common organizational goals, survival can become difficult for this type of organization. However, looser networks or contractual relationships may thrive with this culture.

## 4. Gerry Johnson and Kevan

*Scholes developed the Cultural Web in 1992.* It is a representation of the taken for-granted assumptions of an organization which helps management to focus on the key factors of culture and their impact on strategic issues. This can identify blockages to and facilitators of change in order to improve performance and  the Cultural Web contains six inter-related elements:

- **Stories :** The past and present events and people talked about inside and outside the company.

- **Rituals and Routines :** The daily behavior and actions of people that signal acceptable behavior.

- **Symbols :** The visual representations of the company including logos, office decor and formal or informal dress codes.

- **Organizational Structure :** includes structures defined by the organization chart, and the unwritten lines of power and influence that indicate whose contributions are most valued.

- **Control Systems :** The ways that the organization is controlled including financial systems, quality systems, and rewards.

- **Power Structures :** Power in the company may lie, for example, with one or two executives, with a group of executives or a department, or it may be more evenly distributed in a 'flat' organizational structure. These people have the greatest amount of influence on decisions, operations, and strategic Direction, competitive advantage.

## Cultural Typology

*Goffee and Jones have identified four distinct cultural types.* They argue that these four culture types are based on two dimensions which they call sociability and solidarity. *Sociability refers to high concerns for people i.e. it is people oriented and focuses on processes rather than on outcomes. The second dimension i.e. solidarity is however task oriented.*

These two dimensions create four distinct cultural types :

**1. Networked Culture :** *Networked culture is high on sociability and low on solidarity. Which means that the organisation treats, its members in a quite friendly manner and there is open sharing of information.* However, this culture type may lead to poor performance as the focus is on the people rather than on tasks.

**2. Mercenary Culture :** *It is low on sociability and high on solidarity. The organizations with mercenary culture are task oriented and believe in competition.* The people are highly focused and goal oriented, but this type of culture may at times lead to frustration and stress among poor performers.

**3. Fragmented Culture :** *Fragmented culture is low on both sociability and solidarity. There is little or no identification with the organization.* It is the individual members' commitment, productivity and quality of work which is of utmost importance. This type of culture however suffers from lack of collegiality.

**4. Communal Culture :** *It is high on both sociability and solidarity. The organizations with communal culture value both people and tasks.* Work accomplishment is from committed people, and there is a relationship of trust and respect.

The following diagram explains the four cultural typology :
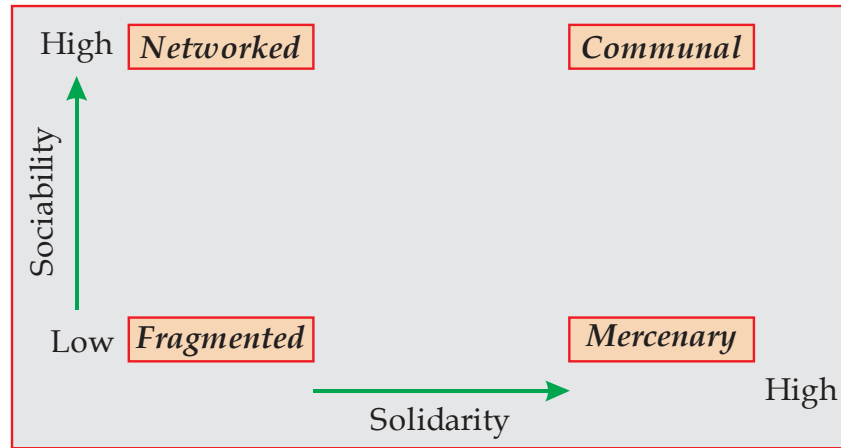


**Ques.** *The general pattern of behaviour, shared belief and values that members have in common is known as* **(NTA UGC-NET June 2013 P-II)**

(A) *Organisation climate*      (B) *Organisation culture*

(C) *Organisation effectiveness*      (D) *Organisation matrix*

**Ans.** *(B)    Organisation culture*

**Ques.** *Which of the following is not true about Matrix Organisation ?*

**(NTA UGC-NET June 2014 P-II)**

(A) *It is relatively permanent.*

(B) *Its project managers authority is distributed reasonably.*

(C) *There is slow information processing.*

(D) *Its project heads have to share resources with functional heads.*

**Ans.** *(C)    There is slow information processing.*

**Ques.** *Which of the following statements are true about informal organization ?*

(1) *It arises spontaneously.*

(2) *It reflects individual and group goals.*

(3) *It tends to be permanent and stable.*

(4) *It tends to be small and manageable.*

(5) *Its basic purpose is to improve human relations.*

(6) *Its basic purpose is to achieve organization's goals.*

**Codes :**      **(NTA UGC-NET June 2014 P-III)**

(A) *(1), (2), (3) and (5)*      (B) *(1), (2), (4) and (6)*

(C) *(1), (2), (4) and (5)*      (D) *(2), (3), (5) and (6)*

**Ans.** *(C)    (1), (2), (4) and (5)*

*Ques.* *The classical organisation theory treats organisation as a/an :*

**(NTA UGC-NET Dec. 2015 P-II)**

    *(1)*   *Open system*           *(2)*   *Closed system*

    *(3)*   *Technical system*       *(4)*   *Macro system*

*Ans.*   *(2)*   *Closed system*


*Ques.* *Matrix organisation structure is essentially a violation of the principle of :*

**(NTA UGC-NET Dec. 2015 P-III)**

    *(1)*   *Unity of Command*       *(2)*   *Scalar Chain*

    *(3)*   *Unity of Direction*      *(4)*   *Division of Labour*

*Ans.*   *(1)*   *Unity of Command*